CHALICE
GOLD MINES LIMITED

ANNUAL REPORT 2009

DIRECTORS

T R B Goyder - Executive Chairman
D A Jones - Managing Director
M R Griffiths - Executive Director
A W Kiernan - Non-executive Director

COMPANY SECRETARY

R K Hacker

PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE

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SOLICITORS

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SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace PERTH WA 6000
Tel: 1300 557 010

HOME EXCHANGE

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade PERTH WA 6000

ASX CODE

Share Code: CHN

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Chairman's Letter To Shareholders

Dear Shareholder

During the 2009 Financial Year your Directors have focused activities towards a transaction that would change the profile of the Company through the acquisition of a major asset. At the time of writing I am pleased to report that we have now completed such a transaction through the merger of your Company with ASX-listed Sub-Sahara Resources NL ("Sub-Sahara").

This merger together with the acquisition of a direct interest in Sub-Sahara's main undertaking, being the Zara Gold Project in Eritrea, will give the Company 80% of that project. The project is located in the East African country of Eritrea and contains 944,000 oz at an average grade of 5.8 g/t at the Koka deposit.

This transaction provides shareholders with the opportunity to participate in the development of a potentially highly profitable, high grade gold project with untouched exploration opportunities near the current resource and regionally.

The Company now holds a substantial land package of 615 km2. This area has had little exploration, if any, and this provides a unique opportunity for the discovery of additional gold and base metal deposits. Full details of the project are disclosed in the following Review of Operations.

With the merger now behind us, the Company has commissioned Lycopodium Ltd to undertake a scoping study to be completed by October 2009 and then a detailed feasibility study to be completed by May 2010. In parallel with this work, a 5,000 metre diamond drilling program using two rigs will commence during November 2009 to upgrade the resource from Inferred and Indicated to a Measured category.

In conjunction with the studies being undertaken at the Koka deposit, the Company will also focus its attention towards the potential of further gold discoveries at depth and along strike. A 2,500 metre diamond drilling program has been planned to test these targets. Our preliminary geological assessment of the region suggests that there is considerable opportunity to locate additional ore bodies in similar geological settings along strike from the main Koka deposit.

TSX-listed gold and base metals company Nevsun Resources Ltd has recently secured US$235M of financing to develop the Bisha Project which lies approximately 90km south of our project and will be Eritrea's first significant mining operation. We look forward to working with the Government and people of Eritrea to become the next mining operation within the country, which, all going well, could be in production in 2011.

I would like to thank my fellow Directors and staff for their efforts during the last 12 months as we continue to grow and develop your Company. I would also like to welcome Mike Griffiths who was formerly Managing Director of Sub-Sahara to the Board of Chalice. Mike brings to the Board considerable experience both in Eritrea and Africa generally and will be a valuable member of our Board and management team.

Last but not least, I would like to thank you for your ongoing support and I welcome the Sub-Sahara Resources shareholders to our register.

Yours faithfully

Tim R B Goyder
Executive Chairman
22 September 2009

Highlights

CORPORATE

- Chalice Gold Mines ("Chalice") and Sub-Sahara Resources ("Sub-Sahara") completed a merger of the two companies in August 2009.
- The merger combines Sub-Sahara's high grade Zara Gold Project in Eritrea with Chalice's significant cash reserves which will enable acceleration of the exploration and evaluation of the Zara Gold Project in Eritrea as the focus of an international gold development strategy.

THE ZARA GOLD PROJECT

- The Koka deposit has an indicated and inferred resource estimate of 5.04 million tonnes at an average grade of 5.8 g/t gold for 944,000 ounces gold at a cut-off of 1.2g/t. Following completion of the merger, Chalice now owns 80% of the Zara Gold Project.
- Major elements of an immediate work program have already commenced to advance the Zara Gold Project (Koka deposit) towards a detailed feasibility study by May 2010.
- An internationally recognised consortium of consultants, led by Lycopodium Minerals, who have extensive African experience, have been appointed to conduct the Scoping Study and Feasibility Studies for the Koka deposit.
- Planning is well advanced for 5,000 metres of infill diamond drilling at the Koka deposit in the second half of 2009 to upgrade the category of the resource from Indicated and Inferred to Measured. A further 2,500 metres of diamond drilling is also planned to test the Koka deposit below the existing resource and other targets along strike.
- Preliminary geological assessment of the region surrounding the Zara Gold Project suggests strong potential for additional ore bodies. Given limited exploration activity has been undertaken outside of the immediate Koka deposit resource area, the exploration upside of the project is considerable and work has commenced to develop this potential.

AUSTRALIAN EXPLORATION PROJECTS

- Chalice entered into an agreement with AngloGold Ashanti Australia Ltd ("AngloGold"), whereby AngloGold has the right to earn a 75% interest in Chalice's Wilga Gold Project through completion of $2 million of gold exploration expenditure at the project within the next four years.
- Teck Australia Pty Ltd ("Teck") has entered into an exclusivity agreement with TSX Venture Exchange listed company Kent Exploration Inc. ("Kent") which contemplates Kent earning 100% of Teck's interest in the Gnaweeda Gold Project by spending $3 million, subject to Teck retaining a 75% claw-back.

"We look forward to working with the Government and people of Eritrea to become the next mining operation in the country, which, all going well, could be in production in 2011"

TIM R B GOYDER Executive chairman

Review of Operations

1 MERGER WITH SUB-SAHARA RESOURCES NL

On 14 August 2009, Chalice Gold Mines Limited ("Chalice") and East Africa-focused gold explorer Sub-Sahara Resources NL ("Sub-Sahara") merged by way of a Scheme of Arrangement ("Scheme") following approval by an overwhelming majority of Sub-Sahara shareholders and the Supreme Court of Western Australia.

The merger combines Chalice's strong cash position with Sub-Sahara's 69% interest in the high grade Zara Gold Project in Eritrea, East Africa. The Zara Gold Project ("Koka deposit") currently comprises an Indicated and Inferred Resource of 5.04 million tonnes at 5.8 g/t gold for 944,000 ounces of contained gold at a cut-off grade of 1.2 g/t (for further details on the Koka deposit Resource, refer to page 5).

Chalice has also acquired an 11.12% interest in the Zara Gold Project from Africa Wide Resources Limited ("AWR") for $1.6 million. This acquisition results in the newly merged group holding 80% of the Zara Gold Project with ASX-listed gold producer Dragon Mining Limited owning the remaining 20%.

Eritrea and the Zara Project

KEY TERMS OF THE MERGER

Under the Scheme, Sub-Sahara shareholders have received 1 Chalice share for every 10.73 Sub-Sahara shares held at the Record Date. Other security classes, comprising all partly paid shares and options were offered Chalice shares based on a valuation calculated in accordance with usual valuation methods.

Following implementation of the merger and a recent placement of 16.3 million shares, Chalice now has approximately 137.4 million shares on issue.

2 THE ZARA GOLD PROJECT, ERITREA (CHALICE GOLD MINES 80%)

The Zara Gold Project consists of six contiguous granted licences covering an area totalling 615 km^2 situated in northern Eritrea, approximately 160 km northwest of the country's capital, Asmara. Sub-Sahara has defined a significant high grade gold deposit at the Koka deposit, with a JORC Indicated and Inferred resource of 5.04 million tonnes at 5.8 grams per tonne gold for 944,000 ounces of contained gold.

GEOLOGY AND MINERALISATION

Figure 1:
The Upper Proterozoic Arabian-Nubian Shield (ANS) and major gold deposits.

The Zara Gold Project lies within the south-western part of the Late Proterozoic Arabian–Nubian Shield, an emerging gold and base metal province that hosts the ~13 million ounce Sukari gold deposit in Egypt, the ~2 million ounce Ariab/Hassaï gold and base metal deposit in Sudan and the ~1 million ounce Bisha gold and base metal deposit in Eritrea (Figure 1).

The properties straddle the thrusted contact between two geological terranes where it shows a flexure from northeast to north-northeast (Figure 2). Gold mineralisation is associated with this terrane boundary along its length, with the main prospect identified to date, the Koka deposit, being the focus of past exploration by Sub-Sahara.

Review of Operations

The Koka deposit's mineralised zone has a total strike length of more than 700 metres and is developed principally within an elongate, lensoidal body of microgranite intruded along the sheared and altered contact between a sequence of sedimentary and basaltic rocks to the west (footwall) and a felsic volcanic and volcaniclastic sequence to the east (hanging wall) (Figures 8 and 4).

There is a considerable competency contrast between the microgranite and the sedimentary and volcanic rocks across this contact and this has resulted in the steeply dipping western contact of the microgranite being strongly brecciated, quartz stockwork veined and altered over a width averaging around 20 metres (Figures 5 and 6). Gold is present in the quartz veins mostly as inclusions in pyrite, but also as discrete grains in galena, quartz and carbonate (Figure 7). Preliminary metallurgical test-work by Ammtec Ltd indicates high gold recoveries by gravity (>40%) with total gravity plus cyanide recoveries exceeding 95% over 24 hours leach time and with low reagent consumptions.

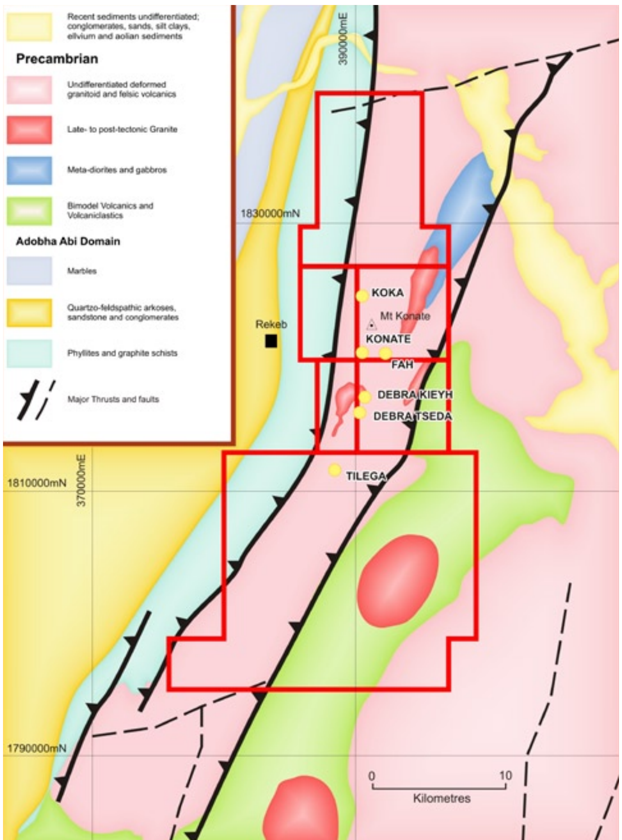

Figure 2:
Regional geology of the Zara Gold Project showing known artisanal gold sites and BLEG drainage anomalies

RESOURCE ESTIMATE

The independent resource estimate and report was prepared by Coffey Mining Pty Ltd ("Coffey") in accordance with the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code; 2004). Mineralised zones were defined using both geological and assay data. Multiple Indicator Kriging (MIK) was used as the estimation method.

The Mineral Resource Statement as of February 2009 for in-situ Koka gold mineralisation using a 60 g/t Au upper cut is tabulated in Table 1 below:

Category	Lower grade cut-off (g/t)	Tonnes (Mt)	Gold (g/t)	Metal (Koz)
Indicated	1.2	4.55	5.9	867
Inferred	1.2	0.49	4.9	77
TOTAL	**1.2**	**5.04**	**5.8**	**944**

The Coffey estimate is based on a geological interpretation from 109 diamond drill holes completed by Sub-Sahara for approximately 18,000 metres. The bulk of the resource is shallower than 150 metres and the mineralization is open at depth in the deepest holes drilled (approximately 250 metres below surface).

Review of Operations

Figure 3:
Koka looking northeast

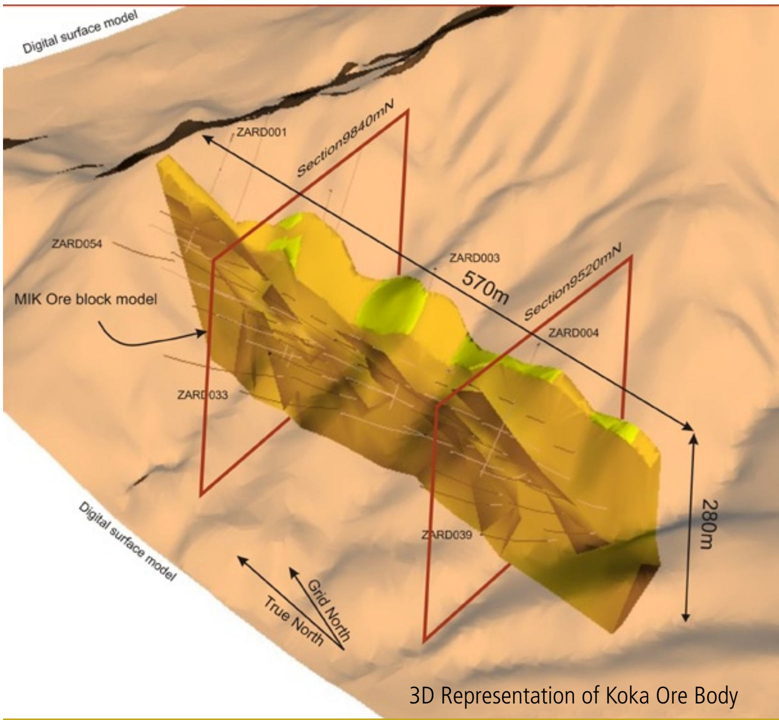

Figure 4:
3D representation of the Koka Gold Deposit showing location of sections

Figure 5:
Section 9840N

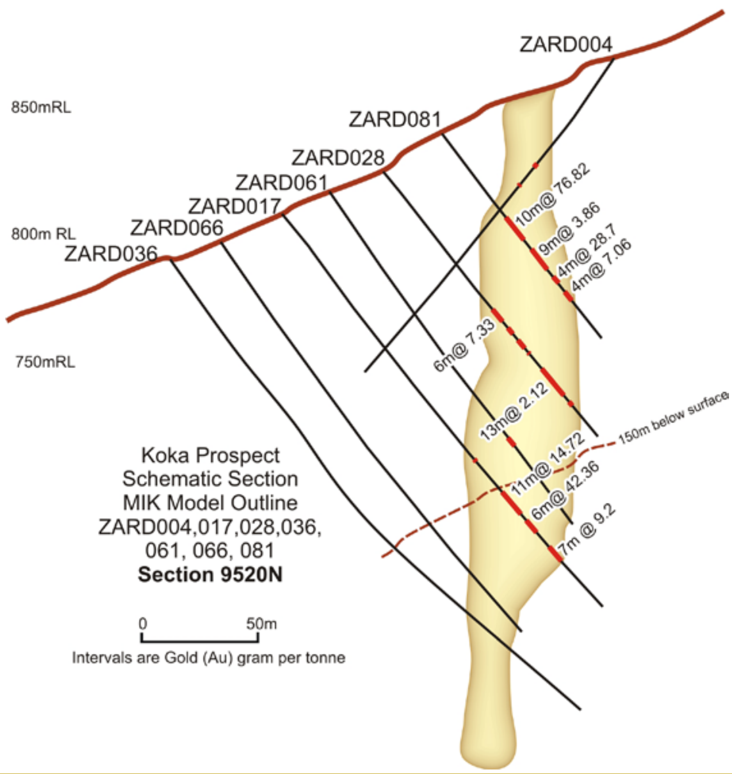

Figure 6:
Section 9520N

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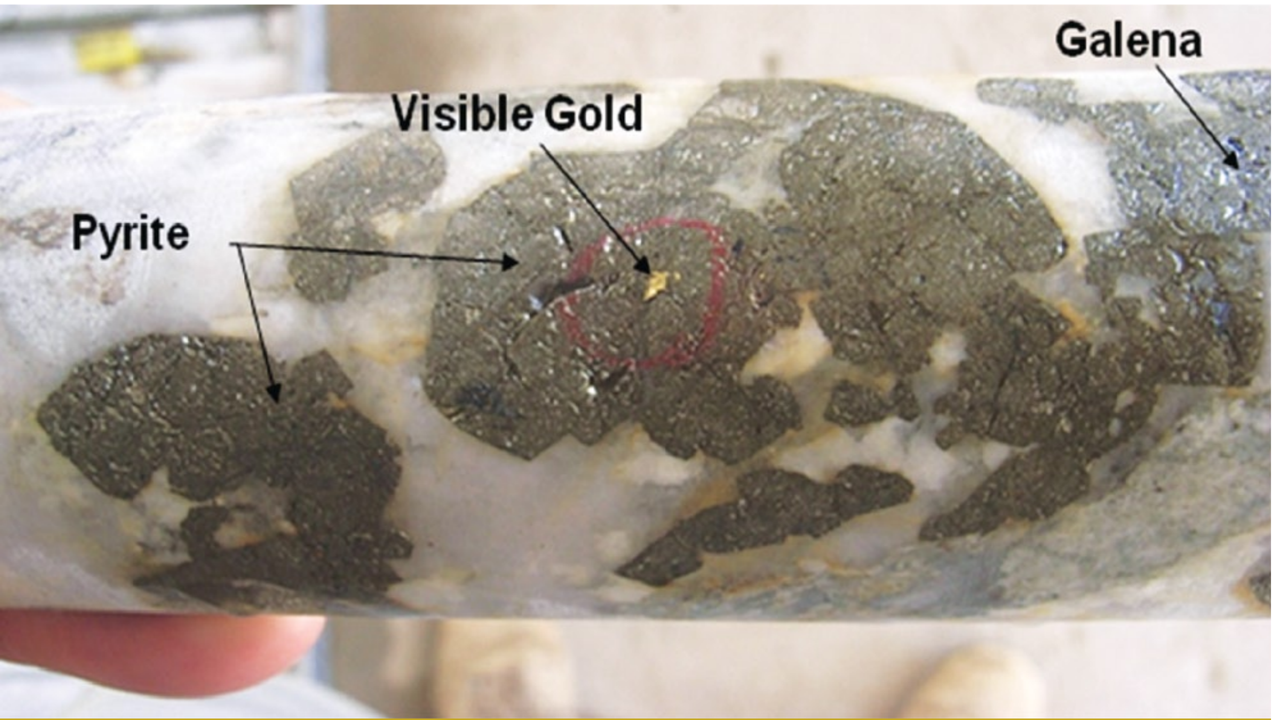

Figure 7:
Drill core sample from Koka deposit showing coarse gold associated with pyrite and galena (lead sulphide) in quartz-carbonate vein.

REGIONAL POTENTIAL

The Zara Gold Project lies within an auriferous province that was unknown before 1998 when the first prospects were located by artisanal miners. Since then, numerous other gold prospects have been identified and several of these have seen considerable past and present artisanal mining activity. However, exploration has so far focused on the Koka deposit with very little drilling outside this target, offering significant exploration upside in the largely unexplored 615 km² of licences surrounding the Koka deposit (Figure 2).

The most prominent of the regional prospects is the Konate prospect located 7 kilometres south of the Koka deposit where extensive artisanal workings have exploited a 300 metre long zone of microgranite-hosted quartz-stockwork gold mineralisation very similar in style to that at the Koka deposit. Five diamond drill holes have been drilled at Konate designed to test the deposit at depth and although mineralisation was intersected the results were not consistent with the strong surface indications. Further drilling at this site is required once a better understanding of the structural controls on the mineralisation is obtained.

Closer to the Koka deposit itself artisanal miners are exploiting a high grade quartz vein at Koka East just 200 metres east of the main Koka deposit. Soil sampling and prospecting have confirmed this zone extends over at least 800 metres of strike to the southeast (Figure 8) and further work is required to test its potential.

Induced Polarisation (IP) surveys at the Koka deposit have revealed that the mineralisation is associated with a strong resistivity anomaly, caused by the silica alteration associated with the mineralisation. Extension of this survey to the south revealed another strong zone of IP resistivity around 500 metres south of the Koka deposit. Prospecting of this zone, now called Koka South Extension, revealed another body of quartz-stockworked microgranite with surface gold anomalism (Figure 8). Two holes drilled into the northern end of this zone in 2008 confirmed Koka-style gold mineralisation at depth and this prospect represents a high priority target for future drilling.

A program of geological mapping, rock chip sampling and BLEG stream sediment sampling undertaken over the original Zara Gold Project tenements has identified several previously unknown areas of interest that will require priority follow-up. Extension of these surveys to the equally prospective northern and southern permits is expected to identify further prospects of interest.

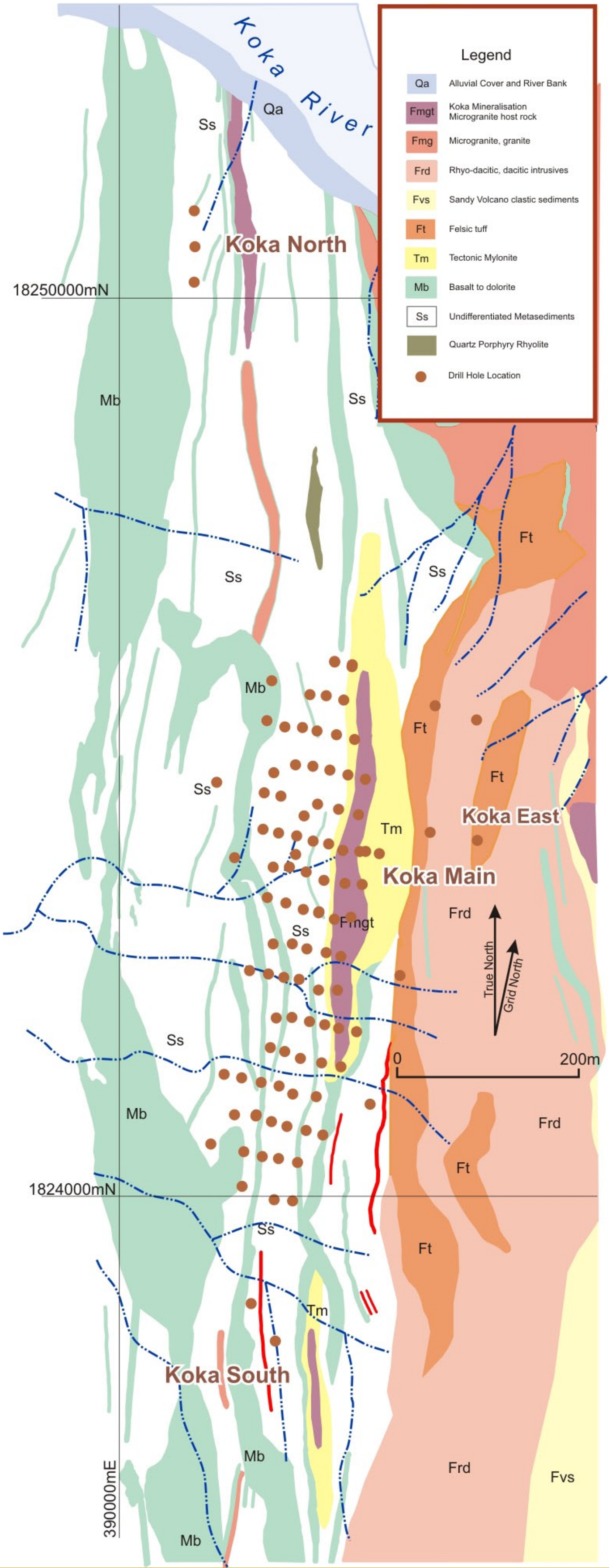

Figure 8:
Koka Gold Deposit - geology and prospects

LICENCE EXTENSION

The four original exploration licences covering the Zara Gold Project have been extended by the Government of Eritrea. The extension requires Chalice to complete a Pre-Feasibility Study by the end of October 2009 and a detailed Feasibility Study by 25 May 2010.

In addition, the Eritrean Government has advised that applications by Sub-Sahara for additional tenements totalling 400 square kilometres have been approved. This increases the total Chalice tenure at the Zara Gold Project to approximately 615 km^2.

On application for a mining licence, the Eritrean Government is entitled to a 10% free carried interest and, in addition, the Government has the right, by agreement, to purchase a further 30% equity participation interest in any mining project and up to a negotiable 5% royalty on mined precious metals.

SCOPING STUDY AWARDED TO LYCOPODIUM

Chalice has appointed Lycopodium Minerals Pty Ltd ("Lycopodium") in association with AMC Consultants ("AMC") and Knight Piésold to complete development studies for the Zara Gold Project.

Lycopodium will complete all metallurgical process design, infrastructure and project development components and is responsible for overall study coordination. AMC will complete geology, resource modelling, mining and mine related geotechnical study aspects. Knight Piésold will undertake infrastructure geotechnical studies, hydrogeology, tailings disposal and environmental and social impact management in consultation with local Eritrean consultants Global Resources Development and Management Consultants.

These consultants have demonstrated African gold project development credentials and bring an international approach to the Zara Gold Project.

OUTLOOK

Major elements of an immediate work program have commenced to rapidly advance the Zara Gold Project to feasibility by May 2010. This work program includes water drilling and hydrological studies, metallurgical test-work, preparation for further resource definition drilling and ongoing environmental, geological and topographic data collection.

A percussion drilling program to investigate potential water-bearing structures identified by targeted geophysical surveys and drainages has commenced and initial indications are that sufficient sub-surface water can be obtained.

Drill core from seven metallurgical holes drilled at the Koka deposit in 2008 is currently undergoing test work with preliminary results indicating highly favorable comminution characteristics and gold recoveries (>95%).

A further 5,000 metres of drilling is required to infill the Koka deposit resource and upgrade it from its current Indicated and Inferred status. It is planned that this drilling will commence immediately drill rigs arrive on site in November 2009.

Review of Operations

3 GNAWEEDA GOLD PROJECT (TECK EARNING 70%)

The Gnaweeda Gold Project tenure covers almost an entire Archaean greenstone belt in the northern Murchison Province of Western Australia, with proven gold mineralisation potential. Turnberry, the most advanced gold prospect, has received limited deep RC and diamond drilling, which has intersected significant gold mineralisation in most of the holes. The mineralisation remains open at depth and laterally in every direction.

Geologically and structurally the deposit at Turnberry is not yet well understood and there is an opportunity to expand on the current understanding with further RC/diamond drilling and locate additional favourable sites for mineralisation both at Turnberry, and along the ~ 15km strike of anomalous gold and arsenic within the lineated magnetic package which hosts the anomalous geochemistry.

During the year Chalice received notification from Teck Australia Pty Ltd ("Teck") that Teck has entered into an exclusivity agreement with TSX Venture Exchange listed company Kent Exploration Inc. ("Kent") which contemplates Kent earning 100% of Teck's interest, subject to Teck retaining a 75% claw-back.

Kent has paid Teck a non-refundable $50,000 deposit which provides Kent with a three month exclusive period during which time Teck and Kent plan to negotiate and formalise the proposed arrangement. To earn its interest in the Gnaweeda Gold Project, Kent is required to fund $3 million in exploration expenditures over 4 years, with a $200,000 (includes deposit) first phase exploration program to be completed by 31 December 2009.

Once Kent has earned its interest in the Gnaweeda Gold Project, Teck has the right to claw back 75% of Kent's interest by spending 2.5 times Kent's exploration expenditures. Teck is currently earning up to 70% in the Gnaweeda Gold Project by spending $1.5 million. To date, Teck has earned 51% in the Gnaweeda Gold Project and has elected to spend an additional $0.75 million to earn a further 19%.

Teck has advised that Kent has planned a detailed aeromagnetic survey to be flown over the southern half of the project in the second half of 2009.

4 WILGA GOLD PROJECT (ANGLOGOLD ASHANTI EARNING 75%)

The Wilga Gold Project comprises two tenements located about 55km south of Laverton. The area is situated within the Laverton greenstone belt and is adjacent to the eastern margin of the Laverton Tectonic Zone, which hosts the world class gold deposits at Cleo/Sunrise Dam and which lie about 15km to the northwest of the project.

Chalice entered into an agreement with AngloGold Ashanti Australia Ltd ("AngloGold"), whereby AngloGold has the right to earn a 75% interest in Chalice's Wilga Gold Project through expenditure of $2 million at the project within the next four years.

AngloGold has the right to withdraw prior to earning its interest and will be manager of the project and the joint venture.

Exploration conducted on the Wilga Gold Project during the year involved surface rock chip sampling and gold analyses (35 samples), 1:5,000 scale geological mapping, and a program of aircore drilling.

The geological mapping has revealed a north northwesterly striking stratigraphy of banded iron formation (BIF), basalt, pyroxenite, high-Mg basalt and ultramafic units. Structure is dominated by shearing and isoclinal folding of the stratigraphy. Initial indications from surface sampling show that gold mineralisation is strongly associated with a north northwesterly striking BIF ridge.

Two zones of anomalous gold-in-soil values were identified from previous exploration activities. This includes a north-south striking area overlying a BIF and overlying mafic and ultramafic lithologies in the west, within the central portion of E39/1003. Surface rock chip sampling verifies the presence of these low order gold anomalies with seven samples yielding gold values above 0.03 ppm (see Table 2 and Figure 10).

Sample ID	MGA E	MGA N	Au (ppm)	Sample Type
WILRK018	454361	6773691	**0.103**	In Situ
WILRK019	454623	6773163	**0.093**	In Situ
WILRK022	454628	6773421	**0.268**	In Situ
WILRK023	454635	6773545	**0.043**	In Situ
WILRK024	454556	6773711	**0.109**	In Situ
WILRK029	454254	6774624	**0.039**	In Situ
WILRK032	454284	6774384	**1.083**	In Situ

Analysis on 1-3kg surface rock chip samples by Genalysis Laboratory Services, Perth. Gold assays were carried out by Method FA25/SAAS to a detection limit of 1ppb (Au): Lead collection fire assay with Au Analysis by solvent extration & flame AAS finish.

Table 2: Wilga Project - Surface rock chip samples - gold values greater than 0.03 ppm.

Anglogold has also undertaken an air core drilling program consisting of blanket coverage at 160 x 400 metre spacing with 80 x 200 metre spacing over infill areas to the east and central BIF ridge, in order to follow up anomalies previously identified in soil and surface rock chip data discussed above (Figure 10).

To date, 180 holes, for a total of 7,726 metres have been drilled and logged. Results received have yielded some gold anomalism which will be followed up in the next phase of drilling.

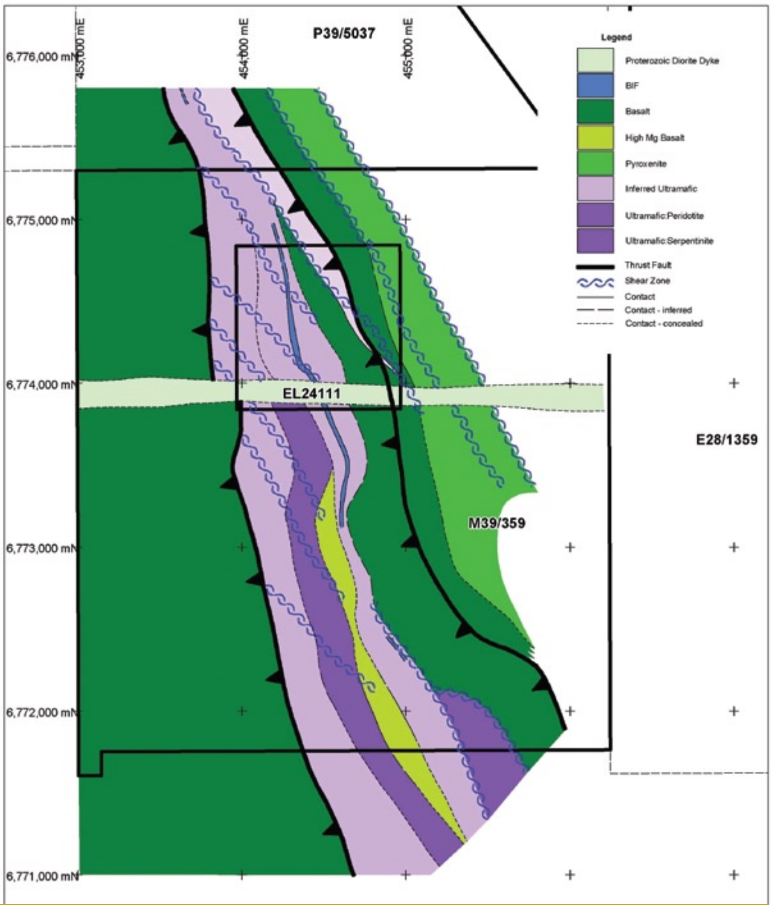

Figure 10:
Schematic geological map of the Wilga Gold Project showing major units and structures interpreted from aeromagnetic survey and geological mapping.

5 YANDEEARRA PROJECT (100% CHALICE GOLD MINES LIMITED)

Chalice's interest in the Yandeearra Project comprises a large tenement package, contiguous with the Indee Gold Project and the Turner River Gold Belt. Exploration continued at the Yandeearra Project during the year with soil geochemistry, stream sediment sampling, geological reconnaissance and rock chip sampling programs.

YANDEEARRA SOIL SAMPLING SURVEYS

Follow-up work identified several new gold and base metal occurrences, with assays up to 42.3g/t gold, 2.43% copper, 29g/t silver and 1.68% lead in different rock samples, however infill soil sampling and geological reconnaissance have indicated they have limited size potential.

Soil and rock chip sampling at the Seven G Prospect has identified a new gold-lead-copper-barium occurrence with soil samples collected containing up to 7.24g/t gold accompanied by elevated levels of lead (210ppm) silver (0.45g/t) and barium (566ppm). Initial reconnaissance rock sampling of a ferruginous gossan returned an encouraging base and precious metal geochemical signature of up to 5.10g/t gold, 0.28% copper, 5g/t silver, 1.64% lead and 3,860ppm barium.

Reconnaissance soil sampling (400 x 40 metre) has also identified a new high tenor gold anomaly 2.4km north of Seven G. Gold values up to 332ppb occur within the anomaly which extends over a strike length of 1.2km and is open to the north.

CLEAVERVILLE CHERT HILLS STREAM SEDIMENT SAMPLING

Stream sediment sampling (275 sample sites) was completed over a 13km strike length of complexly folded and faulted Cleaverville Chert (which hosts the Wingina Well gold deposit at Turner River) in the northeast of the Yandeearra Project area.

A spatially coherent high tenor gold anomaly defined by the BLEG and/or Aqua Regia results occurs over a 2.8km strike length, covering a structurally controlled chert ridge in the centre of the hills. The BLEG results range up to 235ppb gold (background less than 8ppb) and the Aqua Regia results range up to 254ppb gold (background less than 4ppb).

Follow-up soil sampling over the southern portion of the Cleaverville Chert did not identify any gold in soil anomalism.

IRON ORE EXPLORATION

Atlas Iron Limited ("Atlas") has an option to acquire the iron ore rights for the Yandeerarra Project for $1 million. Ongoing interpretation of regional aeromagnetic data coupled with helicopter reconnaissance ground truthing has delineated several distinct BIF-hosted magnetite targets. Under the option agreement, Atlas has until October 2009 to exercise their option to acquire the iron ore rights.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Dr Doug Jones, a full-time employee and Director of Chalice Gold Mines Limited, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Chartered Professional Geologist. Dr Jones has sufficient experience in the field of activity being reported to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and consents to the release of information in the form and context in which it appears here.

The Independent Resource Estimate for the Koka deposit was prepared by Mr Brian Woolf, whilst employed as a Specialist Resource Geologist for Coffey Mining Pty Ltd. Mr Woolf, who is a Member of the Australasian Institute of Mining and Metallurgy, has sufficient experience in the field of Resource Estimation to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and consents to the release of information in the form and context in which it appears here.

Schedule of Tenements as at 30 June 2009

YANDEEARRA

Tenement #	Nature of Interest	Current Equity
E47/590	Owned	100%
E47/591	Owned	100%
E47/755	Owned	100%
E47/1041	Owned	100%
E47/1161	Owned	100%
E47/1162	Owned	100%
E47/1163	Owned	100%
E47/1164	Owned	100%
E47/1165	Owned	100%
E47/1166	Owned	100%
M47/561	Owned	100%
P47/1245	Owned	100%
P47/1298	Owned	100%
P47/1299	Owned	100%
E47/1207	Application	0%
E47/1748	Application	0%
E47/1749	Application	0%
M47/560	Application	0%
M47/783	Application	0%
M47/784	Application	0%
M47/785	Application	0%
M47/994	Application	0%
M47/995	Application	0%
M47/996	Application	0%
M47/997	Application	0%
M47/998	Application	0%
M47/999	Application	0%
M47/1000	Application	0%
M47/1001	Application	0%
M47/1002	Application	0%
M47/1003	Application	0%
M47/1004	Application	0%
M47/1005	Application	0%
M47/1114	Application	0%
M47/1115	Application	0%
M47/1116	Application	0%
M47/1117	Application	0%
M47/1118	Application	0%
M47/1119	Application	0%
M47/1120	Application	0%
M47/1121	Application	0%
M47/1122	Application	0%
M47/1123	Application	0%
M47/1124	Application	0%
M47/1125	Application	0%

GNAWEEDA

Tenement #	Nature of Interest	Current Equity
E51/926	Owned	49%
E51/927	Owned	49%

WILGA

Tenement #	Nature of Interest	Current Equity
E39/1003	Owned	100%
P39/4890	Owned	100%

Chalice Gold Mines Limited Financial Report

Directors Report

The Directors present their report together with the financial report of Chalice Gold Mines Limited ('Chalice Gold Mines' or 'the Company') for the financial year ended 30 June 2009 and the independent auditor's report thereon. In order to comply with the provisions of the Corporations Act, the Directors report as follows:

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

T R B Goyder
Executive Chairman
Tim has over 30 years experience in the resource industry. Tim has been involved in the formation and management of a number of publicly-listed companies and is currently a Director of Uranium Equities Limited and Chairman of Liontown Resources Limited.

D A Jones
PhD, AusIMM, RPGeo
Managing Director
(appointed 11 November 2008)
Doug is a Geologist with over 30 years experience in international mineral exploration, having worked extensively in Australia, Africa, South America and Europe. His career has covered exploration for volcanic and sediment-hosted zinc-copper-lead, gold in a wide range of geological settings and IOCG style copper-gold. He is also a director of Liontown Resources Limited and AIM-listed Minera IRL Limited.

A W Kiernan
LLB
Non-executive Director
Tony is a lawyer and general corporate advisor with extensive experience in the administration and operation of listed public companies. Tony is Chairman of BC Iron Limited and Uranium Equities Limited and is a director of Liontown Resources Limited. Tony was also a director of North Queensland Metals Limited and Solbec Pharmaceuticals Limited (now named Freedomeye Limited) in the last three years.

A R Bantock
B.Com, ACA
Non-executive Chairman
(resigned 11 November 2008)
Andrew has extensive professional, corporate and commercial experience in the resources, resource contracting and infrastructure sectors. He is currently a Director and chairs the Audit Committee of Water Corporation, Western Australia's water utility. Andrew was also a director of Liontown Resources Limited and Uranium Equities Limited in the last three years.

T M Clifton
BSc (Hons), B. Juris LLB, FAus IMM
Alternate Director for D A Jones (20 March to 14 April 2009)
Tim is a Geologist with over 35 years experience in the Australian mining industry at both a technical and corporate level. He was co-founder of Perilya Limited and is currently a Director of Uranium Equities Limited and Strike Oil Limited.

Directors Report

2. COMPANY SECRETARY

R K Hacker

B.Com, ACA, ACIS

(resigned 7 April 2008, re-appointed 1 August 2008)

Richard has significant professional and corporate experience in the energy and resources sector in Australia and the United Kingdom. Richard has previously worked in senior finance roles with global energy companies including Woodside Petroleum Limited and Centrica Plc. Prior to this, Richard worked with leading accounting practices. Richard is a Chartered Accountant and Chartered Secretary and is also Company Secretary of Liontown Resources Limited.

AM Reynolds

(Resigned 1 August 2008)

3. DIRECTORS' MEETINGS

During the year six Directors' meetings were held. The number of meetings attended by each of the Directors of the Company during the year are:

Director	Number of board meetings attended	Number of meetings held during the time the director held office during the year
T R B Goyder	6	6
D A Jones	3	3
A W Kiernan	6	6
A R Bantock	3	3
T M Clifton	0	0

4. PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the period were mineral exploration and evaluation.

5. REVIEW OF OPERATIONS

5.1 MERGER BETWEEN CHALICE GOLD MINES AND SUB-SAHARA RESOURCES NL

On 14 August 2009, Chalice Gold Mines Limited ("Chalice") and East Africa-focused gold explorer Sub-Sahara Resources NL (ASX: SBS; "Sub-Sahara") merged the two companies by way of a Scheme of Arrangement ("Scheme") following Scheme approval by Sub-Sahara shareholders and court approval.

The merger has combined Chalice' strong cash position with Sub-Sahara's 69% interest in the high grade Zara Gold Project in Eritrea, East Africa.

Chalice will also pay $1.664 million for the acquisition of 100% of the shares of Yolanda International Limited, a wholly owned subsidiary of Africa Wide Resources Limited ("AWR"), which holds an 11.12% joint venture interest in the Zara Gold Project. This acquisition results in the newly merged group holding 80% of the Zara Gold Project with ASX-listed gold producer Dragon Mining Limited owning the remaining 20%.

Key Terms of the Merger

The Scheme required Sub-Sahara shareholder approval and Court approval. Under the Scheme, Sub-Sahara shareholders will receive 1 Chalice Share for every 10.73 Sub-Sahara Shares.

Other security classes, comprising all partly paid shares and options were offered Chalice shares based on a valuation calculated in accordance with the Black & Scholes valuation model. No offer was made for Sub-Sahara's listed options given these options expired before the merger was completed.

Overview of Merged Group

Following completion of the merger, Chalice Gold Mines will have approximately 121.2 million shares on issue and a strong funding position, which will enable acceleration of the exploration and evaluation of the Zara Gold Project in Eritrea as the focus of an international gold development strategy.

Project Background

The Zara Gold Project lies within an emerging gold and base metal province in East Africa which includes the ~13Moz Sukari Gold Project in Egypt, the ~2Moz Ariab/Hassai gold and base metal deposit in Sudan and the ~1Moz Bisha gold and base metal deposit in Eritrea. The 615 km2 project area covers a significant portion of the Zara goldfield and offers significant exploration upside for the definition of additional resources.

5.2 GNAWEEDA GOLD PROJECT

Chalice has received notification from Teck Australia Pty Ltd ("Teck") that Teck has entered into an exclusivity agreement with TSX Venture Exchange listed company Kent Exploration Inc ("Kent") which contemplates Kent earning 100% of Teck's interest, subject to Teck retaining a 75% claw-back, in the Gnaweeda Gold Project in the northern Murchison province of Western Australia.

To earn its interest in the Gnaweeda Gold Project, Kent is required to fund $3 million in exploration expenditures over 4 years, with a $200,000 (includes deposit) first phase exploration program to be completed by 31 December 2009.

Once Kent has earned its interest in the Gnaweeda Project, Teck has the right to claw back 75% of Kent's interest by spending 2.5 times Kent's exploration expenditures. Teck is currently earning up to 70% in the Gnaweeda Gold Project by spending $1.5M. To date, Teck has earned 51% in the Gnaweeda Project and has elected to spend an additional $0.75M to earn a further 19%.

5.3 YANDEEARRA PROJECT

Chalice received formal notification from De Grey Mining Limited ("De Grey") of its withdrawal from the Yandeearra Project in the West Pilbara. Under the joint venture agreement, De Grey was to spend $1.67 million to earn up to 80% of the rights to gold and base metals. De Grey has spent in excess of $600,000 on the project, which exceeded their minimum commitment of $417,000 under the joint venture agreement.

Under a separate agreement, Atlas Iron Limited (which has an option to acquire 100% of the iron ore rights for $1 million – subject to a 30% claw-back provision) is continuing a regional exploration program to investigate the iron ore potential of the project.

5.4 WILGA GOLD PROJECT

Chalice entered into an agreement with AngloGold Ashanti Australia Ltd (AngloGold), whereby AngloGold has the right to earn a 75% interest in Chalices' Wilga Project through completion of $2 million of gold exploration expenditure at the project within the next four years.

Upon earning its 75% interest, a joint venture will be established as between AngloGold and Chalice, with respective participating interests being AngloGold 75%: Chalice 25%.

AngloGold is currently undertaking an air core drilling program as a possible prelude to RC drilling.

5.5 TERMINATION OF AGREEMENT TO ACQUIRE THE MOUNT OXIDE COPPER-COBALT PROJECT

Following the execution of an agreement to acquire the Mount Oxide Copper-Cobalt Project from Perilya Limited (and an associated option to acquire the subsidiary of Perilya Limited which holds a 50% interest in the Tampang Copper-Gold Project), the directors of Chalice advised Perilya Limited on 24 October 2008 that, due to the severe downturn in capital markets and the substantial fall in the copper price, in exercising their respective fiduciary duties, the Board could not recommend that shareholders approve the acquisition in the current form.

Under the circumstances, Perilya Limited consented to the request to terminate the agreement and a Deed of Termination and Release was executed.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than referred to in section 5, there are no significant changes in the state of affairs of the Company.

Directors Report

7. REMUNERATION REPORT - AUDITED

This report outlines remuneration arrangements in place for directors and executives of Chalice Gold Mines.

7.1 PRINCIPLES OF COMPENSATION

The broad remuneration policy of the Company is to ensure that remuneration levels for executive directors, secretaries and other key management personnel are set at competitive levels to attract and retain appropriately qualified and experienced personnel. This is particularly important in view of the significant impact that each individual can make within a small executive team for an exploration and development company such as Chalice Gold Mines. However, with the impact of recent global economics the board has acted appropriately by reviewing salaries for directors, executives and staff and has made changes to salaries accordingly.

Remuneration offered by Chalice Gold Mines is therefore geared to attracting talented employees through a combination of fixed remuneration and long term incentives, calibrated and individually tailored to be competitive in the external market to offer incentive to join and remain with the Company.

Fixed compensation

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers the person's responsibilities, expertise, duties and personal performance.

Long-term incentives

Options may be issued under the Employee Share Option Plan to directors, employees and consultants of the Company and must be exercised within 3 months of termination. The ability to exercise the options is usually based on the option holder remaining with the Company for at least one year. Other than the vesting period, there is no performance hurdle required to be achieved by the Company to enable the options to be exercised.

The Company believes that the issue of share options in the Company aligns the interests of directors, employees and shareholders alike.

Performance-related compensation

The Company currently has no formal performance-related remuneration policy which governs the payment of annual cash bonuses upon meeting pre-determined performance targets. However, the Board may consider performance related remuneration in the form of cash or share options when they consider these to be warranted.

Non-executive directors

The Board recognises the importance of attracting and retaining talented non-executive Directors and aims to remunerate these Directors in line with fees paid to Directors of companies in the mining and exploration industry of a similar size and complexity.

Total compensation for all non-executive Directors is not to exceed $150,000 per annum.

7.2 DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION (AUDITED)

Key Management Personnel		Short-term payments: Salary & fees $	Short-term payments: Non-monetary benefits $	Short-term payments: Total $	Post-employment payments: Superannuation benefits $	Post-employment payments: Termination benefits $	Share-based payments: Options (A) $	Share-based payments: Total $	Value of options as proportion of remuneration (%)
Directors									
T R B Goyder	2009	73,394	5,137	78,532	6,605	-	-	85,137	-%
	2008	45,872	3,364	49,236	4,128	-	-	53,364	-%
D A Jones (1)	2009	-	-	-	-	-	-	-	-%
(appointed 11 November 2008)	2008	-	-	-	-	-	-	-	-%
A W Kiernan	2009	30,275	5,137	35,412	2,725	-	-	38,137	-%
	2008	27,523	3,364	30,887	2,477	-	54,929	88,293	62%
T M Clifton	2009	-	-	-	-	-	-	-	-
(Alternate Director) (2)	2008	-	-	-	-	-	-	-	-
Executive									
R K Hacker	2009	178,899	4,701	183,600	16,101	-	37,559	237,259	16%
(appointed 1 August 2008)	2008	131,679	2,369	134,048	11,337	-	-	145,385	-%
Former Directors									
A R Bantock	2009	27,141	1,886	29,027	2,443	92,367	-	123,836	-%
(resigned 11 November 2008)	2008	114,679	3,364	118,043	10,321	-	-	128,364	-%
B W Alexander	2009	-	-	-	-	-	-	-	-%
(resigned 30 November 2007)	2008	11,468	1,401	12,869	1,032	-	-	13,901	-%
Former Executive									
A M Reynolds	2009	12,232	450	12,682	1,101	41,404	(1,284)	53,904	(2%)
(resigned 1 August 2008)	2008	42,908	1,115	44,023	3,862	-	1,284	49,169	3%
Total Compensation	**2009**	**321,942**	**17,311**	**339,252**	**28,975**	**133,771**	**36,275**	**538,273**	
	2008	374,129	14,977	389,106	33,157	-	56,213	478,476	

Note:

(1) Dr Jones has his remuneration paid by Liontown Resources Limited. Chalice is charged, at cost, by Liontown Resources for the services provided by Dr Jones to Chalice. Refer to note 25 for further details.

(2) Mr Clifton did not receive remuneration in his role as Alternate Director.

Directors Report

Notes in relation to the table of directors' and executive officers' remuneration

A. The fair value of the options are calculated at the date of grant using a binomial option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account. The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of ordinary shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
01.08.08	31.07.13	$0.08	$0.20	$0.125	85%	7.5%	0

Details of performance-related remuneration

Details of the Company's policy in relation to the proportion of remuneration that is performance-related are discussed at 7.1 above.

7.3 EQUITY INSTRUMENTS

7.3.1 Options and rights over ordinary shares granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to key management personnel during the reporting period and details of options that vested during the reporting period are as follows:

	Number of options granted during 2009	Grant date	Number of options vested during 2009	Fair value per option at grant date $	Exercise price	Expiry date
Executive						
R K Hacker	500,000	01.08.08	125,000	$0.08	$0.20	31.07.13

7.3.2 Exercise of options granted as compensation

During the reporting year and the prior year, no shares were issued on the exercise of options previously granted as compensation.

Analysis of options and rights over ordinary shares granted as compensation

Details of the vesting profile of the options granted as remuneration to each director of the Company and each of the named Company executives are outlined below.

	Number granted	Date granted	% vested in year	Forfeited in year	Period in which grant vests
Executive					
R K Hacker	125,000	01.08.08	100%	-	2009
	375,000	01.08.08	-	-	2010

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company director and each of the named Company executives is detailed below.

	Granted in year $ (A)	Exercised in year $ (B)	Forfeited in year $ (C)
Executive			
R K Hacker	40,114	-	10,717
A M Reynolds	-	-	7,590

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company on ASX as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) The value of options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using a binomial option-pricing model with no adjustments for whether the performance criteria have or have not been achieved.

8. DIVIDENDS

No dividends were declared or paid during the period and the directors recommend that no dividend be paid.

9. LIKELY DEVELOPMENTS

The Company will continue activities in the exploration and evaluation of minerals tenements with the objective of developing a significant minerals business.

10. SUBSEQUENT EVENTS

On 14 August 2009, the Scheme of Arrangement between Sub-Sahara Resources NL ("Sub-Sahara") and its shareholders received court approval to merge with Chalice Gold Mines. Fully paid ordinary shareholders of Sub-Sahara will receive approximately 46.7 million Chalice Gold Mines shares in exchange for all the fully paid ordinary shares of Sub-Sahara.

In addition, unlisted partly paid shareholders and unlisted option holders in Sub-Sahara will receive a further 1.6 million Chalice Gold Mines shares as consideration for these securities.

Following completion of the merger, Chalice Gold Mines will also pay $1.664 million for the acquisition of 100% of the shares of Yolanda International Limited, a wholly owned subsidiary of Africa Wide Resources Limited ("AWR"), which holds an 11.12% joint venture interest in the Zara Gold Project.

Other costs associated with the merger, including redundancy costs, corporate advisory fees and other liabilities inherited from Sub-Sahara are estimated to be approximately $877,000.

11. DIRECTORS' INTERESTS

The interest of each Director in the shares, rights or options over such instruments issued by the Company and other related bodies corporate, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
T R B Goyder	17,828,030	2,000,000
D A Jones (1)	135,000	-
A W Kiernan	820,074	500,000

(1) Subject to shareholder approval at the Company's next General Meeting, Dr Jones will be issued 1,250,000 unlisted share options with an exercise price of $0.35 expiring on 31 March 2014 and 1,250,000 unlisted share options with an exercise price of $0.45 expiring on 31 March 2014.

12. SHARE OPTIONS

Options granted to directors and officers of the company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and officers of the Company as part of their remuneration.

	Number of options granted
Executives	
R K Hacker	500,000

Directors Report

Unissued shares under options

At the date of this report 6,825,000 unissued ordinary shares of the Company are under option on the following terms and conditions:

Expiry date	Exercise price	Number of shares
21.03.11	$0.25	5,575,000
01.12.12	$0.25	500,000
11.12.12	$0.20	250,000
31.07.13	$0.20	500,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

During or since the end of the period, the Company has not issued any ordinary shares as a result of the exercise of options.

13. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the directors and officers who have held office of the Company during the year, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the year the Company paid insurance premiums of $17,311 in respect of directors and officers indemnity insurance contracts, for current and former Directors and officers. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The amount of insurance paid is included in Directors and executives remuneration on page 17.

14. NON-AUDIT SERVICES

During the year HLB Mann Judd, the Company's auditors, performed no other services in addition to their statutory duties.

15. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 21 and forms part of the Directors' report for the year ended 30 June 2009.

This report is made in accordance with a resolution of the Directors:

Tim R B Goyder
Executive Chairman

Dated at Perth this day 25 August 2009

Auditor's Independence Declaration

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Chalice Gold Mines Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Chalice Gold Mines Limited.

Perth, Western Australia
25 August 2009

L DI GIALLONARDO
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Income Statement

For the year ended 30 June 2009

	Note	2009 $	2008 $
Net gain/ (loss) on sale of exploration and evaluation assets	3	674,486	(1,681)
Net gain on sale of securities		56,003	556,852
Changes in fair value of available-for-sale investments	4	12,463	1,996,631
Other income	5	824,333	748,586
Total income		**1,567,285**	**3,300,388**
Impairment losses on exploration and evaluation expenditure		-	(1,355,640)
Exploration costs not capitalised		(129,862)	(41,783)
Corporate administrative expenses	6	(1,474,525)	(1,168,055)
Costs of business combinations expensed		(527,434)	-
Finance costs	9	-	(64)
Profit/ (loss) before tax		**(564,536)**	**734,846**
Income tax expense/benefit	10	-	-
Profit/ (loss) for the period		**(564,536)**	**734,846**
Basic earnings/ (loss) per share attributable to ordinary equity holders	11	(0.01)	0.01
Diluted earnings/ (loss) per share attributable to ordinary equity holders	11	(0.01)	0.01

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 26 to 41.

Balance Sheet

As at 30 June 2009

	Note	2009 $	2008 $
Current assets			
Cash and cash equivalents	12	9,623,637	9,972,766
Trade and other receivables	13	162,000	84,085
Assets held for sale	15	-	164,064
Total current assets		9,785,637	10,220,915
Non-current assets			
Financial assets	14	174,827	74,698
Exploration and evaluation assets	16	1,950,775	2,033,937
Property, plant and equipment	17	232,566	207,781
Total non-current assets		2,358,168	2,316,416
Total assets		12,143,805	12,537,331
Current liabilities			
Trade and other payables	18	151,640	60,782
Employee benefits	19	18,196	19,565
Other	20	3,182	-
Total current liabilities		173,018	80,347
Non-current liabilities			
Other	20	47,207	51,976
Total non-current liabilities		47,207	51,976
Total liabilities		220,225	132,323
Net assets		11,923,580	12,405,008
Equity			
Issued capital	21	13,974,454	13,974,454
Accumulated losses	21	(2,704,892)	(2,140,356)
Reserves	21	654,018	570,910
Total Equity		11,923,580	12,405,008

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 26 to 41.

Statement of Changes in Equity

For the year ended 30 June 2009

	Note	Share capital $	Accumulated losses $	Share based payments reserve $	Investment revaluation reserve $	Total equity $
Balance at 1 July 2008		13,974,454	(2,140,356)	570,910	-	12,405,008
Employee share options vested		-	-	47,108	-	47,108
Fair value gain available for sale investments		-	-	-	36,000	36,000
Loss for the period		-	(564,536)	-	-	(564,536)
Balance at 30 June 2009	21	**13,974,454**	**(2,704,892)**	**618,018**	**36,000**	**11,923,580**

		Share capital $	Accumulated losses $	Share based payments reserve $	Investment revaluation reserve $	Total equity $
Balance at 31 July 2007		13,974,454	(2,875,202)	501,882	-	11,601,134
Employee share options vested		-	-	69,028	-	69,028
Profit for the period		-	734,846	-	-	734,846
Balance at 30 June 2008	21	13,974,454	(2,140,356)	570,910	-	12,405,008

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 26 to 41.

Cash Flow Statement

For the year ended 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Cash receipts from operations		288,734	275,180
Cash paid to suppliers and employees		(1,388,115)	(1,060,139)
Interest paid		-	(64)
Interest received		522,328	476,546
Net cash used in operating activities	24	**(577,053)**	**(308,477)**
Cash flows from investing activities			
Payments for mining exploration and evaluation		(320,890)	(360,083)
Acquisition of property, plant and equipment		(94,329)	(87,809)
Proceeds from sale of investments		897,003	11,960,176
Proceeds from option fee received for sale of exploration and evaluation assets		250,000	-
Payments for costs of business combinations		(503,860)	-
Amounts paid to exercise options		-	(3,580,000)
Proceeds from sale of property, plant and equipment		-	5,010
Net cash from investing activities		**227,924**	**7,937,294**
Cash flows from financing activities			
Lodgement of bank guarantee and security deposits		-	20,000
Net cash from financing activities		**-**	**20,000**
Net increase/(decrease) in cash and cash equivalents		(349,129)	7,648,817
Cash and cash equivalents at the beginning of the period		9,972,766	2,323,949
Cash and cash equivalents at 30 June	12	**9,623,637**	**9,972,766**

The cash flow statement is to be read in conjunction with the notes to the financial statements set out on pages 26 to 41.

Notes to the financial Statements

For the year ended 30 June 2009

1. SIGNIFICANT ACCOUNTING POLICIES

Chalice Gold Mines is an ASX listed public company domiciled in Australia at Level 2, 1292 Hay Street, Perth, Western Australia. The financial report of the Company is for the year ended 30 June 2009.

The financial report was authorised for issue by the Directors on the 25th day of August 2009.

(A) STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

(B) BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value. The financial report is presented in Australian dollars.

In the year ended 30 June 2009, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008. It has been determined by the Company that other than the election to early adopt AASB 3 Business Combinations, there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to its accounting policies.

The company has elected to early adopt AASB 3 Business Combinations (March 2008) for the reporting period commencing 1 July 2008. The following changes to accounting policies are adopted in the preparation of this financial report:

- Acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- Contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- A gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- There shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- Dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- Impairment of investments in subsidiaries; joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- Where there is, in substance, no change to Group interests, parent entities inserted above existing Groups shall measure the cost of its investments at the carrying value of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

During the current financial year, costs of $527,434 incurred to 30 June 2009 on the Sub-Sahara Resources NL business combination, which was completed subsequent to balance date, have been expensed.

(C) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Company.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Recoverability of exploration expenditure
The carrying amount of exploration and evaluation expenditure is dependent on the future successful outcome from exploration activity or alternatively the sale of the respective areas of interest.

(ii) Share-based payment transactions
The Company measures the cost of equity-settled share-based payments at fair value at the grant date using a binomial formula taking into account the terms and conditions upon which the instruments were granted.

(D) SEGMENT REPORTING

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the financial Statements

For the year ended 30 June 2009

(E) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be reliably measured. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the buyer.

(ii) Services rendered
Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably.

(iii) Interest received
Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(F) EXPENSES

(i) Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Financing costs
Financing costs comprise interest payable on borrowings calculated using the effective interest method and interest receivable on funds invested.

(G) DEPRECIATION

Depreciation is charged to the income statement on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- plant and equipment 7%-40%
- fixtures and fittings 11%-22%
- Motor Vehicles 18.75%

The residual value, if not insignificant, is reassessed annually.

(H) INCOME TAX

Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(I) GOODS AND SERVICES TAX

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ('ATO') is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the financial Statements

For the year ended 30 June 2009

(J) IMPAIRMENT

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cashflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Receivables with a short duration are not discounted.

(K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of six months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(L) TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at cost less impairment losses (see accounting policy (j)).

(M) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Immediately before classification as held-for-sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable AIFRS. Then, on initial classification as held-for-sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held-for-sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent re-measurement.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

(N) PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(O) FINANCIAL ASSETS

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value, through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held-for-trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on investments held- for-trading are recognised in profit or loss.

(ii) Held-to-maturity investments
If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

(iii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option-pricing models.

(P) EXPLORATION, EVALUATION, DEVELOPMENT AND TENEMENT ACQUISITION COSTS

Exploration, evaluation, development and tenement acquisition costs in relation to separate areas of interest for which rights of tenure are current, are capitalised in the period in which they are incurred and are carried at cost less accumulated impairment losses. The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest is carried forward as an asset in the balance sheet so long as the following conditions are satisfied:

1) the rights to tenure of the area of interest are current; and

2) at least one of the following conditions is also met:

   (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

   (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure is assessed for impairment when facts and circumstances suggest that their carrying amount exceeds their recoverable amount and where this is the case an impairment loss is recognised. Should a project or an area of interest be abandoned, the expenditure will be written off in the period in which the decision is made. Where a decision is made to proceed with development, accumulated expenditure will be amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

(Q) TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

(R) INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit and loss when the liabilities are derecognised.

(i) Leases
Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments.

(S) EMPLOYEE BENEFITS

(i) Superannuation
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Share-based payment transactions
The Company provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company currently provides benefits under an Employee Share Option Plan.

The cost of these equity-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

Notes to the financial Statements

For the year ended 30 June 2009

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and

(ii) the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as, workers' compensation insurance and payroll tax.

(T) PROVISIONS

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(U) SHARE CAPITAL

(i) Ordinary share capital
Ordinary shares and partly paid shares are classified as equity.

(ii) Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

2. SEGMENT REPORTING

The Company currently only operates in one business segment and one geographical segment being the mining and exploration industry in Australia.

3. NET GAIN ON SALE OF EXPLORATION AND EVALUATION ASSETS

	2009 $	2008 $
Net (loss)/ gain on sale of exploration and evaluation assets	674,486	(1,681)

On 30 April 2007, Chalice Gold Mines reached an agreement for the sale of its Chalice and Higginsville tenements to Avoca Resources Limited ("Avoca Resources"), for shares in Avoca Resources to a value of $5,841,000 and 2,000,000 unlisted options over ordinary shares in Avoca Resources.

Pursuant to the Avoca Resources sale agreement, the transaction was completed in two tranches. Tranche 1 settled on 25 July 2007 and consideration for the completion of Tranche 1 was recorded in the 30 June 2007 reporting period. Tranche 2, which comprises a package of tenements south of the Chalice Gold Mine, completed upon grant of an Exploration Licence and then amalgamation of the same with certain Prospecting Licences already held by Chalice Gold Mines.

During the year, the conditions for completion of Tranche 2 were satisfied and the sale has been recorded with settlement occurring via the receipt of $841,000 of Avoca Resources shares in February 2009. The cost of the tenements sold were $166,515 which resulted in a profit on sale of $674,486.

Notes to the financial Statements

For the year ended 30 June 2009

	Note	2009 $	2008 $
4. FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS			
Net change in fair value of available-for-sale investments		12,463	1,996,631
5. OTHER INCOME			
Interest received		545,099	488,479
Gain on sale of plant and equipment		-	2,107
Corporate and administration service fees		279,234	258,000
		824,333	748,586
6. CORPORATE ADMINISTRATIVE EXPENSES			
Depreciation and amortisation	17	71,543	74,213
Insurance		26,846	27,924
Legal fees		80,706	47,181
Office costs		242,707	117,780
Personnel expenses	7	745,200	745,742
Regulatory and compliance		117,908	86,340
Other		189,615	68,875
		1,474,525	1,168,055
7. PERSONNEL EXPENSES			
Wages and salaries		490,086	428,598
Directors' fees		45,948	84,862
Other associated personnel expenses		35,210	67,440
Defined contribution superannuation fund contributions		132,665	98,937
(Decrease)/increase in liability for annual leave		(5,817)	(3,123)
Equity-settled transactions	21	47,108	69,028
		745,200	745,742
8. AUDITOR'S REMUNERATION			
Audit services			
HLB Mann Judd:			
Audit and review of financial reports		27,370	19,360
9. FINANCE COSTS			
Interest expense		-	64

Notes to the financial Statements

For the year ended 30 June 2009

	Note	2009 $	2008 $
10. INCOME TAX			
Current tax expense		(64,548)	257,593
Deferred tax expense relating to the origination and reversal of temporary differences		57,381	2,060,329
Tax losses not brought to account as deferred tax assets		7,167	(2,317,922)
Total income tax expense reported in the income statement		-	-
Numerical reconciliation of income tax expense to prima facie tax payable			
Profit/(Loss) from continuing operations before income tax expense		(564,536)	734,846
Tax at the Australian corporate rate of 30%		(169,361)	220,454
Tax effect of amounts which are not tax deductible (taxable) in calculating taxable income:			
Non-deductible expenses		30,619	37,139
Blackhole expenditure tax deductible		(35,133)	(35,133)
Origination and reversal of temporary differences		57,381	2,060,329
		(116,494)	2,282,789
Current year tax benefits not recognised		116,494	(2,282,789)
Income tax expense reported in the income statement		-	-
Deferred income tax			
Deferred tax liabilities			
Delayed revenue recognition for tax purposes		(19,744)	(2,438)
Exploration and evaluation expenditure		74,168	326,936
Deferred tax assets			
Revenue (profits)/ losses available for offset against future taxable income		(57,381)	(2,060,329)
Current receivables		-	1,748,008
Employee benefits		(411)	(937)
Accrued expenses		3,368	(11,240)
Net deferred tax assets recognised		-	-
Tax Losses			
Unused tax losses for which no deferred tax asset has been recognised		4,072,330	3,931,332
Potential tax benefit at 30% tax rate		1,221,699	1,179,400

11. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 30 June 2009 was based on the loss attributable to ordinary shareholders of $564,536 [2008: profit of $734,846] and a weighted average number of ordinary shares outstanding during the year ended 30 June 2009 of 72,800,000 [2008: 72,800,000].

	2009 $	2008 $
Profit/ (loss) attributable to ordinary shareholders (diluted)		
Profit/ (loss) attributable to ordinary shareholders	(564,536)	734,846
Profit/ (loss)attributable to ordinary shareholders (diluted)	(564,536)	734,846

Weighted average number of ordinary shares (diluted)	No.	No.
Weighted average number of ordinary shares at 30 June	72,800,000	72,800,000
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	72,800,000	72,800,000

Notes to the financial Statements

For the year ended 30 June 2009

	Note	2009 $	2008 $
12. CASH AND CASH EQUIVALENTS			
Bank balances		1,543,318	1,541,571
Bank bills		-	1,185,135
Term deposits		8,079,930	7,245,860
Petty cash		389	200
Cash and cash equivalents in the cash flow statement		9,623,637	9,972,766
13. TRADE AND OTHER RECEIVABLES			
Current			
Other trade receivables		101,763	51,416
Prepayments		60,237	32,669
		162,000	84,085
14. FINANCIAL ASSETS			
Current			
Loans receivable (A)		-	-
Non-current			
Available for sale investments		94,709	-
Bond in relation to office premises		51,624	48,094
Bank guarantee and security deposits		28,494	26,604
		174,827	74,698

(A) A loan facility of $450,000 has been made available to Sub-Sahara Resources NL ("Sub-Sahara") by Chalice Gold Mines to fund further development of the Zara Gold Project (Koka deposit) and to advance time-critical elements of a scoping and feasibility study. At balance date, no draw down for this facility had been made.

Funds advanced under the facility, together with interest (accrued at a rate of 10%), are repayable if the merger is not implemented by 30 September 2009 (or such later date as Chalice Gold Mines may agree). In this event, the loan must be repaid either in cash or, at Sub-Sahara's election, by the issue of Sub-Sahara shares at an issue price of 1.3 cents per share. The facility is secured by a fixed and floating charge over the assets and undertakings of Sub-Sahara.

	Note	2009 $	2008 $
15. ASSETS HELD FOR SALE			
Exploration and evaluation expenditure		-	164,064
16. EXPLORATION AND EVALUATION EXPENDITURE			
Costs carried forward in respect of areas of interest in the exploration and evaluation phase (at cost)		2,033,937	3,134,600
Expenditure incurred during the year		342,946	307,635
Impairment of exploration and evaluation expenditure		-	(1,355,640)
Exploration costs not capitalised		(129,862)	(41,783)
Disposals of tenements		(296,246)	-
Transfer to assets held for sale	15	-	(10,875)
		1,950,775	2,033,937

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

Notes to the financial Statements

For the year ended 30 June 2009

	Note	2009 $	2008 $
17. PROPERTY, PLANT AND EQUIPMENT			
At cost		428,609	332,281
Less: accumulated depreciation		(196,043)	(124,500)
		232,566	207,781
Plant and equipment			
Carrying amount at beginning of financial year		207,781	208,491
Additions		96,328	76,147
Depreciation		(71,543)	(74,213)
Disposals/write offs		-	(2,644)
Carrying amount at end of period		232,566	207,781
18. TRADE AND OTHER PAYABLES			
Trade payables		129,534	46,402
Accrued expenses		22,106	14,380
		151,640	60,782
19. EMPLOYEE BENEFITS			
Liability for annual leave		18,196	19,565
		18,196	19,565

Share based payments

(a) Employee Share Option Plan

The Company has an Employee Share Option Plan ('ESOP') in place. Under the terms of the ESOP, the Board may offer options for no consideration to full-time or part-time employees (including persons engaged under a consultancy agreement), executive and non-executive Directors.

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. The exercise price for the options is determined by the Board.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period, if any.

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price $ 2009	Number of options 2009
Outstanding at the beginning of the period	$0.25	6,725,000
Forfeited during the period	$0.23	400,000
Exercised during the period	-	-
Granted during the period	$0.20	500,000
Outstanding at the end of the period	$0.25	6,825,000
Exercisable at the end of the period	$0.25	6,325,000

	Weighted average exercise price $ 2008	Number of options 2008
Outstanding at the beginning of the period	0.25	5,825,000
Forfeited during the period	-	-
Exercised during the period	-	-
Granted during the period	0.23	900,000
Outstanding at the end of the period	0.25	6,725,000
Exercisable at the end of the period	0.25	500,000

The options outstanding at 30 June 2009 have an exercise price of $0.25 [2008: $0.25] and a weighted average contractual life of 5 years.

During the period, no share options were exercised.

The fair value of the options is estimated at the date of grant using the binomial option-pricing model.

The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2009.

Fair value of share options and assumptions	2009	2008
Share price at grant date	$0.12	$0.19
Exercise price	$0.20	$0.23
Expected volatility (expressed as weighted average volatility used in the modelling under binominal option-pricing model)	85%	81%
Option life (expressed as weighted average life used in the modelling under binomial option-pricing model)	5 years	5 years
Expected dividends	-	-
Risk-free interest rate	7.5%	5.43%

Share options are granted under service conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

	2009 $	2008 $
Share options granted in 2009 - equity settled	47,108	69,028
Total expense recognised as personnel expenses	47,108	69,028

20. OTHER LIABILITIES

	2009 $	2008 $
Current		
Lease incentive	3,182	-
	3,182	-
Non-current		
Lease incentive	-	10,820
Make good provision	47,207	41,156
	47,207	51,976

21. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

	2009				
	Share capital (a) $	Accumulated losses $	Share based payments reserve $	Investment revaluation reserve $	Total equity $
Balance at 1 July 2008	13,974,454	(2,140,356)	570,910	-	12,405,008
Available for sale investments	-	-	-	36,000	36,000
Employee share options vested	-	-	47,108	-	47,108
Loss for the period	-	(564,536)	-	-	(564,536)
Balance at 30 June 2009	13,974,454	(2,704,892)	618,018	36,000	11,923,580

Notes to the financial Statements

For the year ended 30 June 2009

	2008				
	Share capital (a) $	Accumulated losses $	Share based payments reserve $	Investment revaluation reserve $	Total equity $
Balance at 1 July 2007	13,974,454	(2,875,202)	501,882	-	11,601,134
Employee share options vested	-	-	69,028	-	69,028
Loss for the period	-	734,846	-		734,846
Balance at 30 June 2008	13,974,454	(2,140,356)	570,910	-	12,405,008

(a) Share capital

There were 72,800,000 shares on issue at 30 June 2009 and 30 June 2008.

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, the ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

(b) Share options

	2008 No.	2009 No.
On issue at 1 July	6,725,000	5,825,000
Options forfeited	(400,000)	-
Options issued during the year	500,000	900,000
On issue at 30 June	6,825,000	6,725,000

At 30 June 2009 the Company had 6,825,000 unlisted options on issue under the following terms and conditions:

Number	Expiry Date	Exercise Price
5,575,000	21.03.11	$0.25
500,000	01.12.12	$0.25
250,000	11.12.12	$0.20
500,000	31.07.13	$0.20

22. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital, reserves and accumulated losses as disclosed in note 21.

The Board reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through new share issues as well as the issue of debt, if the need arises.

(b) Market risk exposures

Market risk is the risk that changes in market prices such as foreign exchange rates, equity prices and interest rates will affect the Company's income or value of its holdings of financial instruments.

Foreign exchange rate risk

The Company currently has no significant exposure to foreign exchange rates.

Equity prices

The Company currently has no significant exposure to equity price risk.

Interest rate risk

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out as follows:

30 June 2009	Note	1 year or less $	Over 1 to 5 years $	Floating interest $	Non-interest bearing $	Total $	Weighted average int. rate
Financial assets							
Bank balances	12	-	-	1,543,318	-	1,543,318	0.41%
Bank bills	12	-	-	-	-	-	-
Term deposits	12	8,079,930	-	-	-	8,079,930	3.18%
Bank guarantees and security deposits	14	80,118	-	-	-	80,118	3.70%
Petty cash	12	-	-	-	389	389	-
Trade and other receivables	13	-	-	-	101,763	101,763	-
Financial liabilities							
Trade payables and accrued expenses	18	-	-	-	151,640	151,640	-
Employee benefits	19	-	-	-	18,196	18,916	-

30 June 2008	Note	1 year or less $	Over 1 to 5 years $	Floating interest $	Non-interest bearing $	Total $	Weighted average int. rate
Financial assets							
Bank balances	12	-	-	1,541,571	-	1,541,571	1.04%
Bank bills	12	1,185,135	-	-	-	1,185,135	7.26%
Term deposits	12	7,245,860	-	-	-	7,245,860	7.71%
Bank guarantees and security deposits	14	74,698	-	-	-	74,698	8.05%
Petty cash	12	-	-	-	200	200	-
Trade and other receivables	13	-	-	-	51,416	51,416	-
Financial liabilities							
Trade payables and accrued expenses	18	-	-	-	60,782	60,782	-
Employee benefits	19	-	-	-	19,565	19,565	-

A change of 100 basis points in interest rates on bank balances and term deposits at the reporting date would have increased profit and loss by $96,232.

(c) Credit risk exposure

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is not significant and currently arises principally from sundry receivables (see note 13) which represent an insignificant proportion of the Company's activities.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the notes to the financial statements.

(d) Liquidity risk exposure

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board actively monitors the Company's ability to pay its debts as and when they fall due by regularly reviewing the current and forecast cash position based on the expected future activities.

The Company has non-derivative financial liabilities which include trade and other payables of $151,640 (2008: $60,782) all of which are due within 60 days.

(e) Net fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities approximate the net fair values

Notes to the financial Statements

For the year ended 30 June 2009

23. CAPITAL AND OTHER COMMITMENTS

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. The amounts stated are based on the maximum commitments. The Company may in certain situations apply for exemptions under relevant mining legislation or enter into joint venture arrangements which significantly reduce working capital commitments. These obligations are not provided for in the financial report and are payable:

	2009 $	2008 $
Within 1 year	596,060	1,012,820
Within 2 – 5 years	82,500	1,748,180
Later than 5 years	-	-
	678,560	2,761,000

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at balance date but not recognised as liabilities:

	2009 $	2008 $
within 1 year	-	125,000
within 2-5 years	-	-
	-	125,000

Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

within 1 year	148,346	82,596
within 2-5 years	560,353	36,016
	708,699	118,612

24. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2009 $	2008 $
Profit/ (Loss) for the period	(564,536)	734,846
Adjustments for:		
Depreciation and amortisation	71,543	74,213
(Profit)/ Loss on sale of exploration and evaluation assets	(674,486)	1,681
Net gain on sale of securities	(56,003)	(556,852)
Profit on sale of other assets	-	(2,108)
Changes in fair value of available-for-sale investments	(12,463)	(1,996,631)
Provision for make good lease fit out (office premises)	-	5,289
Impairment losses on exploration and evaluation expenditure	-	1,355,640
Costs of business combinations	527,434	-
Exploration costs not capitalised	129,862	41,783
Equity-settled share-based payment expenses	47,108	69,028
Operating loss before changes in working capital and provisions	(531,541)	(273,111)
(Increase)/decrease in trade and other receivables	(61,311)	15,126
Increase/(decrease) in trade creditors and other liabilities	25,200	(35,927)
Increase in provisions	(6,050)	(10,761)
(Decrease) in non-current financial assets	(3,351)	(3,804)
Net cash used in operating activities	(577,053)	(308,477)

25. KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Executive Directors	
T R B Goyder (Executive Chairman)	
D A Jones (Managing Director)	(appointed 11 November 2008)
T M Clifton (Alternate Director for D A Jones)	(for period 20 March to 14 April 2009)
A R Bantock (Former Chairman)	(resigned 11 November 2008)
Non-executive Directors	
A W Kiernan	
Executives	
R K Hacker (Company Secretary)	(re-appointed 1 August 2008)
A M Reynolds (Company Secretary)	(resigned 1 August 2008)

The key management personnel compensation included in 'personnel expenses' (see note 7) are as follows:

	2009 $	2008 $
Short-term employee benefits	473,023	389,106
Post-employment benefits	28,975	33,157
Equity settled transactions	36,275	56,213
	538,273	478,476

Individual director's and executive's compensation disclosures
The Company has transferred the detailed remuneration disclosures to the Directors' Report in accordance with Corporations Amendment Regulations 2006 (No. 4). These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report under Details of Remuneration and are designated as audited.

Loans to key management personnel and their related parties
No loans were made to key management personnel and their related parties.

Other key management personnel transactions with the Company
A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

Notes to the financial Statements

For the year ended 30 June 2009

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Key management persons	Transaction	Note	2009 $	2008 $
A W Kiernan	Legal services	(i)	79,204	37,005
Other related parties				
Liontown Resources Limited	Corporate services	(ii)	(217,725)	(258,000)
Uranium Equities Limited	Corporate services	(iii)	(49,369)	-
Plato Prospecting Pty Ltd	Property, plant & equipment	(v)	29,145	-
Liontown Resources Limited	Corporate services	(iv)	74,405	-

(i) The Company used the consulting and legal services of Mr Kiernan during the course of the financial year. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

(ii) The Company supplies corporate services including accounting and company secretarial services under a Corporate Services Agreement to Liontown Resources Limited. Messrs Bantock, Goyder and Kiernan were all Directors of Liontown Resources Limited during the year and Messrs Reynolds and Hacker were the Company Secretaries. Amounts were billed on a proportionate share of the cost to the Company of providing the services and are due and payable under normal payment terms.

(iii) The Company supplied company secretarial services during the year to Uranium Equities Limited. Messrs Bantock, Goyder and Kiernan were all Directors of Uranium Equities Limited and Messrs Reynolds and Hacker were the Company Secretaries. Amounts were billed at cost to the Company and are due and payable under normal payment terms.

(iv) During the year, the Company utilised the services of Dr Jones in the role of Managing Director. Dr Jones is also the Managing Director of Liontown Resources Limited. Amounts were billed by Liontown Resources Limited based on a proportionate share of its cost of employing Dr Jones and are due and payable under normal payment terms.

(v) The Company acquired office furniture, fixtures and fittings from Plato Prospecting Pty Ltd. Mr Goyder is the sole director and shareholder of Plato Prospecting Pty Ltd. Amounts were billed at market rates and were due and payable under normal payment terms.

Amounts payable to key management personnel at reporting date arising from these transactions were as follows:

Assets and liabilities arising from the above transactions	2009 $	2008 $
Current payables	(26,333)	(6,110)
Trade debtors	14,917	21,500
	(11,416)	15,390

Options and rights over equity instruments granted as compensation
The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2009	Held at 1 July 2008	Granted as compensation	Exercised/ Forfeited	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
T R B Goyder	2,000,000	-	-	2,000,000	-	2,000,000
A W Kiernan	500,000	-	-	500,000	-	500,000
D A Jones	-	-	-	-	-	-
Former Director						
A R Bantock	2,000,000	-	-	2,000,000	-	2,000,000
Executive						
R K Hacker	250,000	500,000	(250,000)	500,000	125,000	125,000
Former Executive						
A Reynolds	150,000	-	(150,000)	-	-	-

Movements in ordinary shares
The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2009	Held at 1 July 2008	Additions	Received on exercise of Options	Held at 30 June 2009	Sales	Held at 30 June 2009
T R B Goyder	14,474,491	2,765,967	-	17,240,458	-	17,240,458
A W Kiernan	270,074	550,000	-	820,074	-	820,074
D A Jones	-	-	-	-	-	-
Former Director						
A R Bantock	2,531,772	-	-	2,531,772	1,060,000	1,471,772
Executive						
R K Hacker	-	51,982	-	51,982	-	51,982
Former Executive						
A Reynolds	-	-	-	-	-	-

No shares were granted to key management personnel during the reporting period as compensation.

26. SUBSEQUENT EVENTS

On 14 August 2009, the Scheme of Arrangement between Sub-Sahara Resources NL ("Sub-Sahara") and its shareholders received court approval to merge with Chalice Gold Mines. Fully paid ordinary shareholders of Sub-Sahara will receive approximately 46.7 million Chalice Gold Mines shares in exchange for all the fully paid ordinary shares of Sub-Sahara.

In addition, unlisted partly paid shareholders and unlisted option holders in Sub-Sahara will receive a further 1.6 million Chalice Gold Mines shares as consideration for these securities.

Following completion of the merger, Chalice Gold Mines will also pay $1.664 million for the acquisition of 100% of the shares of Yolanda International Limited, a wholly owned subsidiary of Africa Wide Resources Limited ("AWR"), which holds an 11.12% joint venture interest in the Zara Gold Project.

Other costs associated with the merger, including redundancy costs, corporate advisory fees and other liabilities inherited from Sub-Sahara are estimated to be approximately $877,000.

Directors' Declaration

1. In the opinion of the directors of Chalice Gold Mines Limited (the 'Company'):

    a. the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001 including:

        i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year then ended; and

        ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

    b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

This declaration is signed in accordance with a resolution of the Board of Directors.

Dated at Perth the 25th day of August 2009.

Signed in accordance with a resolution of the Directors:

TIM R B GOYDER
Executive Chairman

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Chalice Gold Mines Limited

Report on the Financial Report

We have audited the accompanying financial report of Chalice Gold Mines Limited ("the company"), which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Independent Auditor's Report

Auditor's Opinion

In our opinion:

(a) the financial report of Chalice Gold Mines Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Chalice Gold Mines Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L DI GIALLONARDO
Partner

Perth, Western Australia
25 August 2009

Corporate Governance Report

Chalice Gold Mines is committed to a high level of corporate governance in accordance with the Corporations Act and ASX Listing Rules. The Company's Corporate Governance Statement details the principles and practices adopted and can be found on the Company website (www.chalicegold.com).

The following information is supplementary to the Corporate Governance Statement and addresses the principles which are not met:

Directors and Management

Details of each director's qualifications, experience and special responsibilities, their attendance at board meetings and the company secretary's qualifications and experience are disclosed on pages 13 and 14.

During the year the Company undertook reviews of the Board composition and executive management in accordance with sections 1.1 and 1.2 of the Corporate Governance Statement.

Anthony Kiernan, non-executive director, was considered independent at the time of publishing the 2008 Annual Report. During the year, Mr Kiernan has provided extensive consulting and legal services to the company and is therefore no longer considered to be independent. As a result, there are no independent directors as specified in the ASX Corporate Governance Principles.

The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of an independent non-executive chairman and independent non-executive directors.

Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of any separate or special committees, such as an audit committee, nomination committee or remuneration committee, at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The requirement to establish special committees will be reviewed as and when the nature and scale of the company's operations changes.

Risk Management

The Managing Director and Chief Financial Officer (or equivalent) have assured the Board that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Management has also reported to the Board that the Company's management of material business risks is effective.

Corporate Governance Report

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

		CGS Reference*	Comply
Principle 1: Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	1.1	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	1.1	✓
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.		✓
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	1.2	✗
2.2	The chair should be an independent director.	1.2	✗
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1.2	✓
2.4	The Board should establish a nomination committee.	1.3	✗
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	1.1	✓
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.		✓
Principle 3: Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company' integrity. • the practices necessary to take into account their legal obligations and the reasonable expectations of their Shareholders. • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	2.1 2.2	✓
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	2.3	✓
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.		✓
Principle 4: Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	1.3	✗
4.2	The audit committee should be structured so that it:		
	• consists only of non-executive directors		✗
	• consists of a majority of independent directors	1.3	✗
	• is chaired by an independent chair, who is not chair of the board		✗
	• has at least three members		✗
4.3	The audit committee should have a formal charter.	1.3	✗
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.		✓
Principle 5: Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	3.1	✓
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.		✓

Corporate Governance Report

Principle 6: Respects and rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	3.2	✓
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.		✓
Principle 7: Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	4.1	✓
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	4.2	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	4.2	✓
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.		✓
Principle 8: Remunerate fairly & responsibly			
8.1	The board should establish a remuneration committee.	1.3	✗
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	5, Rem. Report	✓
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.		✓

* Refer Corporate Governance Statement on the Company's website at www.chalicegold.com.

ASX additional information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS

The number of shares held by substantial shareholders advised to the Company and their associated interests as at 21 August 2009 were:

Shareholder	Number of ordinary shares held	Percentage of capital held %
Timothy R B Goyder	16,790,024	23.06
Balfes (QLD) Pty Ltd	5,260,470	7.23

CLASS OF SHARES AND VOTING RIGHTS

At 21 August 2009 there were 844 holders of the ordinary shares of the Company.

The voting rights to the ordinary shares set out in the Company's Constitution are:

> "Subject to any rights or restrictions for the time being attached to any class or Classes of shares -

a) at meetings of members or classes of members each member entitled to vote in person or by proxy or attorney: and

b) on a show of hands every person who is a member has one vote and on a poll every person in person or by proxy or attorney has one vote for each ordinary share held."

Holders of options do not have voting rights.

DISTRIBUTION OF EQUITY SECURITY HOLDERS AS AT 21 AUGUST 2009:

	Number of equity security holders	
Category	Ordinary Shares	Unlisted Share Options
1 – 1,000	67	-
1,001 – 5,000	254	-
5,001 – 10,000	183	-
10,000 – 100,000	258	1
100,001 and over	82	5
Total	844	6

The number of shareholders holding less than a marketable parcel at 21 August 2009 was 115.

ASX additional information

Twenty largest Ordinary Fully Paid Shareholders as at 21 August 2009

Name	Number of ordinary shares held	Percentage of capital held %
Plato Prospecting Pty Ltd	16,790,024	23.06
Balfes (QLD) Pty Ltd	5,260,470	7.23
Lujeta Pty Ltd	3,304,591	4.54
Colbern Fiduciary Nominees Pty Ltd	3,000,000	4.12
Calm Holdings Pty Ltd (Clifton Super Fund A/C)	2,946,170	4.05
Nefco Nominees Pty Ltd	2,500,000	3.43
HSBC Custody Nominees (Australia)	1,502,426	2.06
Define Consulting Pty Ltd (The Define Consulting A/C)	1,331,772	1.83
Mrs Helen Joy Alexander	1,280,000	1.76
Lost Ark Nominees Pty Ltd	1,200,000	1.65
Mr Philip Scott Button & Mrs Philippa Anne Nicol (Christopher Jordan A/C)	1,169,876	1.61
Tara Management Pty Ltd	1,132,012	1.55
Plato Prospecting Pty Ltd (TRB Goyder Super Funds A/C)	1,018,006	1.40
Greenslade Holdings Pty Ltd	1,000,000	1.37
Mr Terrence Peter Williamson & Ms Jonine Maree Jancey (The Wiljan Super Fund)	909,791	1.25
Penally Management Limited	881,338	1.21
Methuen Holdings Pty Ltd (PB Family A/C)	751,667	1.03
Central Manhattan Pty Ltd (A W Kiernan Super Fund A/C)	717,444	0.99
Mr Jamie Phillip Boyton	700,000	0.96
Archaean Exploration Services Pty Ltd	590,000	0.81
Total	**47,985,587**	**65.91**

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